

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1513 – SB 1367

March 7, 2011

SUMMARY OF BILL: Increases the amount of income exempt from Hall Income Tax (HIT) from \$1,250 to \$7,500 for single filers and from \$2,500 to \$15,000 for joint filers, for tax year 2012 and all subsequent tax years.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$27,408,800/FY12-13 and Subsequent Years

Decrease Local Revenue – Net Impact - \$16,840,100/FY12-13 and Subsequent Years

Assumptions:

- Fifty percent of tax savings will be spent in the economy on other sales-taxable goods and services.
- A state sales tax rate of 7.0 percent and an average local option sales tax rate of 2.5 percent.
- According to the Department of Revenue, running the income tax return database for tax year 2010 indicates a 23.76 percent decrease in HIT collections. The Fiscal Review Committee staff does not have access to the data and information upon which this calculation is based and cannot independently verify its accuracy.
- The current Fiscal Review Committee estimate for HIT collections in FY11-12 is \$195,520,000. This number is assumed to remain constant in subsequent years.
- The recurring decrease in HIT collections will be \$46,455,552 (\$195,520,000 x 23.76%)
- Pursuant to Tenn. Code Ann. § 67-2-119, local governments are allocated 37.5 percent of all HIT collections; the state retains the remaining 62.5 percent.
- Given the HIT is due in April following the applicable tax year, and given this bill applies to the 2012 tax year and all subsequent tax years, the first fiscal year impacted will be FY12-13.
- The recurring decrease in state revenue will be \$27,408,776 [(\$46,455,552 x 62.5%) - (\$46,455,552 x 50.0% x 7.0%)] beginning in FY12-13.
- The recurring decrease in local government revenue will be \$16,840,138 [(\$46,455,552 x 37.5%) - (\$46,455,552 x 50.0% x 2.5%)] beginning in FY12-13.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc